

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. AEP-03-2 TF-03-441 TF-03-442
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**ORDER APPROVING ALTERNATE ENERGY  
PURCHASE PROGRAM AND TARIFFS**

(Issued October 22, 2003)

On September 24, 2003, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) its proposed alternate energy purchase program, identified as Docket No. AEP-03-2, pursuant to Iowa Code § 476.47 and 199 IAC 15.17. Accompanying the plan were proposed tariffs, TF-03-441 and TF-03-442, to implement the program. IPL's alternate energy purchase program is an expansion of its current Second Nature program which is available to residential customers only. The expanded program will be available to all customers and will include additional renewable resources, including 10 percent of IPL's purchase contract with the Hancock County wind farm, which will more than meet the commitments of its current Iowa program participants. No objections to the proposed purchase program or tariffs were filed.

Under the expanded program, residential contributions will continue to be in the form of kilowatt-hour (kWh) premiums, which will be 2 cents per kWh at the 100 percent participation level. Customers may also participate at the 50 percent or

25 percent level. Non-residential contributions will be in the form of monthly fixed dollar amounts, with the equivalent kWh percentage participation level determined by dividing the kWh revenue portion of the customer's bill by an assumed 2-cent rate premium.

Another feature of the expanded program is a fixed energy adjustment clause (EAC) rate for program participants, which is readjusted annually based on the previous 12-month EAC average. For residential customers, the fixed EAC will be applied to kWh according to the customer's participation level. In other words, if the customer participates at the 25 percent level, the fixed EAC will be applied to 25 percent of the customer's usage and the standard EAC applied to the remaining 75 percent of usage. This should not produce any significant cross-subsidization by non-participants because the annually fixed EACs will tend to average out over time.

For non-residential participants, a fixed EAC adjusted annually will also be used, but it will function as a rate cap rather than a constant rate. Non-residential participants will have the lesser of the fixed EAC rate or the standard EAC rate applied to their participation kWh. This should not produce any cross-subsidization by non-participants so long as non-residential program participants' kWh usage is fully reflected in IPL's EAC formula denominator and any non-residential revenue deficiencies caused by the program's annually fixed EAC cap are not recovered from other customers through the EAC.

Based on the Board's understanding that the functioning of the fixed EAC for non-residential participants will not result in any cross-subsidization by other customers, the Board will approve the alternate energy purchase program and tariffs.

Voluntary customer contributions through IPL's expanded Second Nature program will supplement other components of renewable energy development in Iowa, including the state-mandated purchase requirements contained in Iowa Code §§ 476.41 through 476.45. The expanded program is scheduled to become effective January 1, 2004, which coincides with the termination date for the current Second Nature program, which is in the form of a pilot project.

**IT IS THEREFORE ORDERED:**

1. The alternate energy purchase program filed by Interstate Power and Light Company on September 24, 2003, is approved, subject to the discussion contained in the body of this order regarding EAC calculations and recoveries for non-residential participants.
2. Tariff filings TF-03-441 and TF-03-442 are approved, subject to complaint or investigation, effective January 1, 2004.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Sharon Mayer  
Executive Secretary, Assistant to

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 22<sup>nd</sup> day of October, 2003.